

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>VILLAGE OF ELBERTA</b>	County <b>BENZIE</b>
Audit Date <b>2/28/06</b>	Opinion Date <b>8/11/06</b>	Date Accountant Report Submitted to State: <b>8/31/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).	✓		
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>WILSON, WARD CPA FIRM</b>			
Street Address <b>PO BOX 205</b>	City <b>INTERLOCHEN</b>	State <b>MI</b>	ZIP <b>49643</b>
Accountant Signature <i>Wilson Ward CPA Firm</i>		Date <i>8/31/06</i>	

# VILLAGE OF ELBERTA

## ELBERTA, MICHIGAN

For Year Ended  
February 28, 2006

### Audit Report

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August 11, 2006

Village President  
Village of Elberta  
Elberta, MI

The primary purpose of this letter is to prepare, for management, information which delineates those items encountered during the audit which were either not related to the financial, internal control and compliance reports or were not material enough to comment on relative to them. However, these items might be significant when viewed from a management perspective or in the longer term. This letter is intended only for the use of management and any other parties not informed of these matters might misconstrue their meanings.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with general accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Village of Elberta. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Village of Elberta are listed in the notes. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into the Village of Elberta during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

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### Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

### Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Village of Elberta that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

The cooperative attitude of the personnel and the Board was greatly appreciated. The staff has demonstrated their desire to perform their functions in an efficient and proper manner.

There is one area of significant concern:

Comment: The Board continues to have a deficit fund balance.

Recommendation: It should be noted that the fund deficit was not a surprise and the Board was completely aware of the situation. It should also be noted that the recovery from such a deficit will be long and difficult given the current project problems and delays.

It was certainly nice to be able to audit in an efficient manner and to have all required records immediately available. This ongoing effort to maintain a positive records management and accounting system is greatly appreciated.

Again, it is important to remember that this report is for information only and provided to management with the sole intent that it can be evaluated with the potential to improve management practices within the Village of Elberta.

Sincerely,

A handwritten signature in black ink that reads "Wilson Ward CPA Firm". The signature is written in a cursive, flowing style.

Wilson Ward CPA Firm

VILLAGE OF ELBERTA  
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# FINANCIAL STATEMENTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Village of Elberta Council  
Elberta, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Elberta, Michigan, as of and for the year ended February 28, 2006, which collectively comprise the Village of Elberta's basic financial statements and have issued our report thereon dated August 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Village of Elberta's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Village of Elberta's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the audit committee, management, township board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wilson Ward CPA Firm*

Interlochen, MI  
August 11, 2006

**INDEPENDENT AUDITOR'S REPORT**

To the Village of Elberta Council  
Elberta, MI

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Elberta, Michigan as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Elberta, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Elberta, Michigan, as of February 28, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 11, 2006, on our consideration of the Village of Elberta, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Elberta's basic financial statements. The introductory section, combining and individual Village of Elberta, Michigan's nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local

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Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of Village of Elberta, Michigan. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Wilson Ward CPA Firm*

Interlochen, Michigan  
August 11, 2006

## VILLAGE OF ELBERTA

### Management's Discussion and Analysis

#### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

#### The Village as a Whole

The Village's combined net assets increased 10% from a year ago - increasing from \$1,717,644 to \$1,900,534. This was primarily caused by the sewer projects impacting the Village's present assets.

General Government expenses increased by \$39,717 during the year. This was due to the continued progress on the development of the park.

The Village is in the process of formulating a plan to address and improve the Village's present financial climate.

#### Business-Type Activities

The Village's business-type activities consist of the Water and Sewer Fund. We provide water to approximately 90% of Village residents, which comes from the Village water system. We provide sewage treatment to approximately 95% of Village residents through the Betsie Lake Utilities Authority sewage treatment plant.

#### The Village's Funds

Our analysis of the Village's major funds follows within, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millages.

The General Fund pays for most of the Village's governmental services. The amount transferred to the General Fund is supported by a detailed calculation of the current year costs of the specific capital outlay approved by the Village Board. During the current year, there were no assets added to the General Fixed Assets.

#### General Fund Budgetary Highlights

Over the course of the year the Village has continued to struggle financially due to a major fiscal crisis caused by past village projects as well as a current project that was plagued with problems resulting in cost overruns. Village Departments overall succeeded in staying within their allotted budgets.

The Village has experienced serious financial problems caused by an antiquated sewer system. The Village was successful in obtaining funding of over a million dollars from a Federal grant/loan and a State grant to address these problems. The project began in December of 2005 and is projected to be finished by September 2006. Significant operating cost savings will help the Village recover fiscally.

The proposed development by a private developer on the Village's waterfront has run into problems, and as such these delays have added to the financial problems of the Village.

#### Capital Asset and Debt Administration

At the end of 2005, the Village had invested in a broad range of capital assets, including buildings, police, and water and sewer lines. In addition, the Village has invested significantly in major and local roads within the Village. These assets are not reported in the Village's financial statements because of Michigan law which makes these roads the property of the County Road Commission (along with the responsibility to maintain them).

#### Economic Factors and Next Year's Budgets and Rates

The Village's budget for 2005-2006 is reflective of the Village's financial difficulties. The budget has been cut back to allow for an improvement in the Village's assets and subsequent financial recovery. The Village is watching its budget carefully and expects with careful planning to see a complete financial recuperation.

#### Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at (231) 352-7201.

VILLAGE OF ELBERTA  
STATEMENT OF NET ASSETS  
FEBRUARY 28, 2006

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>ASSETS</b>			
Cash, investments and cash equivalents	(\$372,753)	\$575,586	\$202,833
Receivables (net)	11,414	7,378	18,792
Prepaid Expenditures	3,770		3,770
Internal balances	35,641	23,557	59,198
Inventories			0
Capital Assets, net (Note 9)	740,108	1,283,258	2,023,366
<b>Total Assets</b>	<b>418,180</b>	<b>1,889,780</b>	<b>2,307,960</b>
<b>LIABILITIES</b>			
Accounts payable	3,550	3,490	7,040
Deferred revenue	2,364	3,974	6,338
Due to Other Agencies	53,213	2,699	55,912
Noncurrent liabilities (Note 2):			0
Due within one year		2,000	2,000
Due in more than one year		310,000	310,000
<b>Total Liabilities</b>	<b>59,127</b>	<b>322,163</b>	<b>381,290</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	740,108		740,108
Restricted for:			
Capital projects			0
Debt Service		33,067	33,067
Unrestricted (deficit)	(381,055)	1,534,550	1,153,495
<b>Total Net Assets</b>	<b>359,053</b>	<b>1,567,617</b>	<b>1,926,670</b>
<b>Total Liabilities and Net Assets</b>	<b>\$418,180</b>	<b>\$1,889,780</b>	<b>\$2,307,960</b>

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED FEBRUARY 28, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and	
	Charges for	Operating	Capital	Changes in Net Assets	Primary Government	Business-type
	Expenses	Services	Contributions	Grants and Contributions	Activities	Activities
Primary government						
Governmental activities:						
Legislative						
General government	\$94,946	\$1,400			(\$93,546)	(\$93,546)
Public safety	38,914	26,453			(12,461)	(12,461)
Public works	94,068	0			(94,068)	(94,068)
Health and Welfare	38,522				(38,522)	(38,522)
Community and Economic Development	0				0	0
Recreation and Culture	0				0	0
Other	33,423				(33,423)	(33,423)
Interest on Long Term Debt	0				0	0
Total Governmental Activities	299,872	27,853	0	0	(272,019)	(272,019)
Business Type Activities						
Enterprise Funds						
Total Primary Government	213,974	196,832		233,854	216,712	216,712
	513,846	224,685	0	233,854	(272,019)	(55,307)
Component Unit						
EDC	\$123		\$2,452			\$2,329
General revenues:						
Taxes						
Property Taxes-general					\$106,406	\$33,701
Property Taxes-debt service					0	0
State-Shared Revenues					53,561	53,561
Unrestricted Investment Earnings					29,112	(8,277)
Franchise taxes					0	20,835
Contributions					0	0
Miscellaneous					23,040	0
Transfers					(2,514)	23,695
Total General Revenues-Special Items and Transfers					209,604	28,593
Changes in Net Assets					(62,415)	245,305
						182,890
Net Assets - Beginning					428,399	1,289,245
						1,717,644
Net Assets - Ending					\$365,984	\$1,534,550
						\$1,900,534
						\$7,330

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
FEBRUARY 28, 2006

	General Fund	Major Street Fund	Local Street Fund	Other Non-major Funds	Total
<b>ASSETS</b>					
Cash, investments and cash equivalents	(\$561,478)	\$88,558	\$115,767	(\$18,049)	(\$375,202)
Receivables (net)	9,830	1,619	904	0	12,353
Prepaid Expenditures	3,770	2,129	1,158		7,057
Internal balances	2,267	0	2,529	27,564	32,360
Inventories					0
Capital Assets, net (Note 1)					0
<b>Total Assets</b>	<b>(545,611)</b>	<b>92,306</b>	<b>120,358</b>	<b>9,515</b>	<b>(323,432)</b>

<b>LIABILITIES</b>					
Accounts payable	3,111	0	0	0	3,111
Internal balances	53,213				
Accrued payables	439				
Deferred revenue	961	0	1,403	0	2,364
Noncurrent liabilities (Note 2):					0
Due within one year					0
Due in more than one year					0
<b>Total Liabilities</b>	<b>57,724</b>	<b>0</b>	<b>1,403</b>	<b>0</b>	<b>59,127</b>

<b>NET ASSETS</b>					
Invested in capital assets, net of related debt					
Restricted for:					
Capital projects					0
Debt Service					0
Unrestricted (deficit)	(603,335)	92,306	118,955	9,515	(382,559)
<b>Total Net Assets</b>	<b>(603,335)</b>	<b>92,306</b>	<b>118,955</b>	<b>9,515</b>	<b>(382,559)</b>
<b>Total Liabilities and Net Assets</b>	<b>(545,611)</b>	<b>\$92,306</b>	<b>\$120,358</b>	<b>\$9,515</b>	<b>(323,432)</b>

Amounts reported for Governmental Funds Balance Sheet are different because:

Balance per above		(\$323,432)
Add Capital Assets	740,108	
Less Current Portion of Long Term Debt		
<b>Balance per Governmental Funds Balance Sheet</b>		<b>\$418,180</b>

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA  
STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
YEAR ENDED FEBRUARY 28, 2006

	General Fund	Major Street Fund	Local Street Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes and Penalties	\$76,374		\$30,032	\$30,032	\$106,406
Licenses and Permits	1,400				1,400
Federal Grants				230,068	230,068
State Grants	53,561	20,507	6,919	0	53,561
Charges for Services	26,453				26,453
Fines and Forfeits					0
Interest and Rentals	23,385	1		5	23,390
Other Revenue	12,653			10,387	23,040
<b>Total Revenues</b>	193,826	20,508	36,951	270,492	464,318
<b>Expenditures</b>					
Current					
Legislative	94,946				94,946
General Government	38,914				38,914
Public Safety	92,963			1,105	94,068
Public Works	8,977	14,656	14,889	0	38,522
Health and Welfare					0
Recreation and Cultural	0				0
Other	0			19,116	19,116
Capital Outlay				273,112	273,112
Debt Service	0				0
<b>Total Expenditures</b>	235,799	14,656	14,889	293,333	558,677
<b>Excess of Revenues Over (Under) Expenditure</b>	(41,973)			(22,841)	(94,359)
Other Financing Sources (Uses)					
Transfers In	0			54,358	54,358
Transfers (Out)	(56,872)			0	(56,872)
Bond Proceeds	0				
<b>Total Other Financing Sources (Uses)</b>	(56,872)	0	0	54,358	(2,514)
<b>Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses</b>	(98,846)	5,852	22,062	31,517	(96,874)
Fund Balance March 1, 2005	(504,489)	86,454	98,296	8,030	(311,709)
Fund Balance February 28, 2006	(\$603,335)	\$92,306	\$120,358	\$39,547	(\$408,583)

Amounts reported for governmental activities in the statement of activities are different because:

<b>Net Change in Fund Balances - Total Governmental Funds</b>					
Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimate useful lives as depreciation.				\$32,459	(\$96,874)
Repayment of bond principal is an expenditure in governmental funds, but not in the statement of activities.				2,000	
Changes in compensated absences are recorded when earned.				0	
<b>Change in Net Assets of Governmental Activities</b>					(\$62,414)

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA, MICHIGAN  
Combined Balance Sheet  
All Enterprise Funds  
February 28, 2006

	Sewer Fund	Non Major Funds	Total
<b>ASSETS</b>			
Cash	\$359,403	\$216,183	\$575,586
Account Receivable - Trade	2,422	549	2,971
Account Receivable - Grant	0	0	0
Due From Other Funds	11,118	12,439	23,557
Taxes Receivable	4,407	0	4,407
Property, Plant & Equipment	1,170,566	612,803	1,783,369
Less: Accumulated Depreciation	(294,064)	(206,047)	(500,111)
<b>Total Assets</b>	<b>1,253,853</b>	<b>635,927</b>	<b>1,889,780</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES:</b>			
Accounts Payable	168	521	689
Deferred Revenue	3,974	0	3,974
Security Deposits	0	0	0
Accrued Interest Payable	2,801	0	2,801
Due To Other Funds	2,267	432	2,699
Bonds Payable	312,000	0	312,000
<b>Total Liabilities</b>	<b>321,210</b>	<b>953</b>	<b>322,163</b>
<b>FUND EQUITY:</b>			
Retained Earnings			
Unreserved	899,576	634,974	1,534,550
Reserved	33,067	0	33,067
<b>Total Fund Equity</b>	<b>932,643</b>	<b>634,974</b>	<b>1,567,617</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$1,253,853</b>	<b>\$635,927</b>	<b>\$1,889,780</b>

The footnotes are an integral part of these Financial Statements.



VILLAGE OF ELBERTA, MICHIGAN  
Combined Comparative Statement of Revenues, Expenses and Changes in Retained Earning  
Enterprise Funds  
For the Twelve Months Ended February 28, 2006

	Sewer Fund	Non Major Fund	Total
	2006	2005	2006
OPERATING REVENUES			
Charges for Service	\$136,941	\$59,891	\$196,832
Tax Assessments	33,701	0	33,701
Refunds and Other	0	655	655
Total Revenues	170,642	60,546	231,188
OPERATING EXPENDITURES			
Operations and Maintenance	117,283	53,584	170,867
Interest Expense	0	0	0
Administration	6,702	8,815	15,517
Depreciation and Amortization	16,847	10,743	27,590
Total Expenditures	140,832	73,142	213,974
OPERATING INCOME (LOSS)	29,810	(12,596)	17,214
NON-OPERATING INCOME (EXPENSE)			
Interest on Investments	239	4	243
Proceeds from Grant	233,854	0	233,854
Transfers In (Out)	0	2,514	2,514
Bond Interest and Fees	(8,520)	0	(8,520)
Total Non-Operating Income (Expenses)	225,573	2,518	228,091
NET INCOME (LOSS)	255,383	(10,078)	245,305
RETAINED EARNINGS, BEGINNING	644,193	645,052	1,289,245
RETAINED EARNINGS, ENDING	899,576	634,974	1,534,550

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA, MICHIGAN  
Combined Statement of Cash Flows  
Enterprise Funds  
For the Year Ended February 28, 2006

	Sewer Fund	Non Major Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Operating Income	\$29,810	(\$12,596)	\$17,214
Adjustment to Reconcile Net Operating Income to Net Cash Provided by Operating Activities			
Depreciation	16,847	10,743	27,590
(Increase) Decrease in Account Receivable - Trade	0	0	0
(Increase) Decrease in Grant Receivable	0	0	0
(Increase) Decrease in Property Taxes Receivable	333	0	333
(Increase) Decrease in Due From Other Funds	0	0	0
Increase (Decrease) in Deferred Revenue	4,000	0	4,000
Increase (Decrease) in Accounts Payable	(70)	(125)	(195)
Increase (Decrease) In Due To Other Funds	0	0	0
Increase ( Decrease) in Accrued Interest Payable	0	0	0
Net Cash Provided by Operating Activities	50,920	(1,978)	48,942
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on Investments	74	4	78
Transfers in	0	4,645	4,645
Acquisition of Capital Assets	0	0	0
Net Cash Provided by Investing Activities	74	4,649	4,723
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid on Long-Term Debt	(8,400)	0	(8,400)
Principal paid on Long-Term Debt	(2,000)	0	(2,000)
Change in Reserved Retained Earnings	0	0	0
Net Cash Used by Financing Activities	(10,400)	0	(10,400)
TRANSFERS IN (OUT)	0	0	0
NET INCREASE IN CASH AND EQUIVALENTS	40,594	2,671	43,265
CASH AND EQUIVALENTS, BEGINNING	255,188	207,026	462,214
CASH AND EQUIVALENTS, ENDING	\$295,782	\$209,697	\$505,479

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Elberta, Benzie County, was incorporated in 1894 and covers an area of approximately 3.5 square miles. The Village operates under an elected Village Council of 7 members and provides services to its more than 470 residents in many areas including fire protection, water and sewer services, community enrichment and development, and human services.

Presentation

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely significantly on fees and charges for support.

The statement of activities demonstrates the degree direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or recipients who purchase, use, or benefit from the goods and services provided by the various function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

REPORTING ENTITY

As defined by the Governmental Accounting Standards Board Statement 1, all relevant criteria was reviewed in an attempt to decide if other entities ought to be included in this audit report. If certain oversight responsibility occurs, that subordinate entity activity should be noted in this report. Oversight responsibility is evidenced by:

- selection of governing authority
- designation of management
- ability to significantly influence operations
- budgetary authority
- responsibility to fund deficits or receive surplus funds
- fiscal management
- providing significant subsidies

Based on our review, conducted in accordance with GASB 14 and Michigan Department of Treasury Statement on Michigan Governmental Accounting and Auditing No 5, this report includes the Economic Development Corporation and as such it is a discreet presentation as a component unit. Its board is appointed by several related units and maintains financial control separate from the Village. The Parks and Rec Commission is appointed by the Board and as such is completely controlled by the Village. Hence, while it operates as a separate commission it is presented as a blended component unit in a special revenue fund of the Village.

This report does not include: - Betsie Lake Utilities Authority

## BASIS OF PRESENTATION

The financial activities of the local unit are recorded in separate funds, categorized and described as follows:

### GOVERNMENTAL FUND TYPES

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, included the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other intergovernmental revenues.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted for specific purposes. These funds include the Major and Local Street Funds and Liquor Control Fund.

### PROPRIETARY FUND TYPE

Enterprise Funds - These funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The Village's Sewer, Water, Rubbish and Marina Funds are Enterprise Funds.

### MEASUREMENT FOCUS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and Trust and Agency fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the government. Elimination of these would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

## BASIS OF ACCOUNTING

All governmental funds utilize the modified accrual basis of accounting as described in GASB #1. Under this method, revenues are recognized when received in cash except for those susceptible to accrual, which are recorded as receivable.

Significant revenues susceptible to accrual include property taxes, expenditures reimbursement type grants, certain intergovernmental revenues and operating transfers. Expenditures are recorded when the liability is incurred, except for interest on long-term debt, which is recorded when paid.

The financial statements of proprietary funds are reflected on the accrual basis and recorded as incurred.

## USE OF ESTIMATES

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

## BUDGETS AND BUDGETARY ACCOUNTING

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements for these were prepared on a basis not significantly different from modified accrual basis used to reflect actual results.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an account or line-item basis. The approved budgets of the Village for these budgetary funds were adopted to the activity level, or by total fund revenue/expenditures for the smaller funds.

## ACCUMULATED FUND DEFICITS

The General Fund and the Park Fund have had an accumulated deficit. This has been created through the payment for capital items in regards to the community park renovation project. The fund deficit totaled \$603,335.

## COMPARATIVE DATA

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Villages financial position and operations.

## SICK AND VACATION LEAVE

Village employees can accumulate six (6) sick days annually. Sick leave is non-cumulative and must be used by fiscal year end or it is lost without reimbursement to the employee.

Vacation leave is accumulated by Village employees at the rate of one (1) week per year for one through five years of service with the Village, two (2) weeks per year for six through ten years of service and three (3) weeks per year for employees with more than ten years of service with the Village. Village employees are eligible for vacation leave after 100 days of service with the Village. The vacation time is used within the current fiscal year.

## PENSION/RETIREMENT PLAN

The Village does not provides a pension plan for employees or council members but makes contributions through contribution to an IRS Code Section 457 plan which is maintained by ICMA Retirement Corporation. There are no post retirement benefits.

## NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

### A. Legal or Contractual Provisions for Deposits and Investments

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Authority by which Treasurers may invest funds and includes the following:

- a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
  - b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
  - c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
  - d) Repurchase agreements consisting of instruments listed in subdivision (a).
  - e) Bankers' acceptances of United States banks.
  - f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
  - g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
    - i) The purchase of securities on a when-issued or delayed delivery basis.
    - ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
    - iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
  - h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967.
  - i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367.
  - j) The investment pools organized under the local government investment pool act, 1985 PA 121.
- In bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, in which the principal and interest is fully guaranteed by the United States.

- B. Types of Deposits: The Village maintains it's cash deposits in four institutions. The following table categorizes the Village's deposits into the various degrees of security associated with the deposits:

	<u>Checking and Savings</u>	<u>Bank Value</u>
Insured but not Collateralized - Mmkt Fund	\$ 94,470	\$100,000
Savings	38,239	38,239
Unsecured and not collateralized	<u>0</u>	<u>11,174</u>
Total	\$132,709	\$149,413
Certificates of Deposit	\$ 60,509	\$ 60,509

The fair market value of the certificates of deposit approximates the face value.

### NOTE 3 - INVENTORIES

The village does not maintain any material inventories.

### NOTE 4 - PROPERTY TAX RECOGNITION

Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For property taxes this is deemed to be received within 60 days. The remainder of an delinquent receivables for property tax are classified as Deferred Taxes rather than revenue. Properties are assessed as of December 31, and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15, with the final collection date of September 14 before they are added to the County tax delinquent rolls.

### NOTE 5 - OPERATING TRANSFERS

There were no operating transfers during the year. Monies transferred between various funds are offset by the appropriate interfund receivable.

### NOTE 6 - SEWER SYSTEM BONDS

On October 4 1989, the Village Council approved the sale of \$164,000 General Obligation Unlimited Tax Sewage Disposal System Bonds series 1989. The bonds are to be repaid with principal payments due on October 1 of each year and interest at 6% to be paid semi-annually.

Amounts needed to amortize the debt through the year 2029 are as follows:

Fiscal Year	Principal	Interest	Total Requirement
2006	3,000	8,160	11,160
2007	3,000	7,920	10,920
2008	3,000	7,800	10,800
2009	3,000	7,620	10,620
2010	3,000	7,440	10,440
2011-2015	22,000	35,040	57,040
2015-2019	29,000	28,020	57,020
2020-2024	37,000	18,600	55,600
2025-2029	32,000	4,400	36,400
Total	<u>135,000</u>	<u>125,000</u>	<u>260,000</u>
Debt Beginning of Year		138,000	
Payment		<u>(3,000)</u>	
Debt at end of Year		<u>135,000</u>	

On November 15, 2005, the Village Council approved the sale of \$172,000 General Obligation Limited Tax Bonds series 2005. The Bonds are to be repaid annually with interest at 4.25% and principal as listed below:

Fiscal Year	Principal	Interest	Total
2006	3,000	7,310	10,310
2007	3,000	7,183	10,183
2008	3,000	7,055	10,088
2009	3,000	6,928	9,928
2010	3,000	6,800	6,800
Next Five	16,000	32,066	48,066
Next Five	17,550	28,475	46,025
Next Five	19,500	24,629	44,129
Next Five	21,500	20,336	41,836
Next Five	24,000	15,555	39,555
Next Five	28,500	10,158	38,658
Next Five	30,500	3,931	34,431

#### NOTE 7 - INTERFUND RECEIVABLE AND PAYABLE

The following are the interfund receivable and payables at February 28, 2006.

	<u>Due To</u>	<u>Due From</u>
General Fund:	Water Fund 5,000	
	Sewer Fund 10,686	
	Rubbish Fund 7,440	
	Major Street 1,619	
	Local Street 904	
	Liquor Control 27,564	
		Sewer Fund 2,267
Sewer Fund:	General Fund 2,267	
		General Fund 10,686
		Water 432
Rubbish Fund:		General Fund 7,440
Water Fund:	Sewer Fund 432	
		General Fund 5,000
Major Street:		General Fund 1,619
Local Street:		General Fund 904
Liquor Control:		General Fund 27,564

Most of these interfund loans were created during the period of time when there were "charge backs" between funds. The exception is in the Liquor Control Fund which goes more deficit each year until the stream of funds is recreated. This occurred prior to the completion of field work and should begin decreasing.



#### NOTE 8 - TRANSFERS

	Transfers IN	Transfers Out
General Fund		56,872
Park Fund	53,253	
Garbage Fund	2,514	
Liquor Control	1,105	

The purpose of these transfers was to make local matches in the Park Fund and to meet required payment commitments in Garbage and Liquor Control Funds.

#### NOTE 9- ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTAL UNITS

Following is a schedule of receivables at February 28, 2006:

General Fund	
Taxes	<u>9,830</u>
Total General Fund	9,830
Special Revenue Funds	
Receivable	30,087
Taxes	<u>2,529</u>
Total Special Revenue Funds	32,616
Enterprise Funds	
Taxes	4,407
Utility customers receivable	<u>2,422</u>
Total Enterprise Funds	6,829

#### NOTE 10 - CAPITAL ASSETS

General Fixed Assets have been acquired for general Village purposes and at the time of purchase were recorded as expenditures. The assets have been capitalized and are reported in the Statement of Fixed Assets and Depreciation.

	Assets				Accumulated			
	Balance	Additions	Deletions	Balance	Balance	Additions	Deletions	Balance
Real Estate	246,101			246,101				
Buildings	681,597			681,597	187,590	16,307		203,897
Equipment	<u>132,300</u>			<u>132,300</u>	<u>132,000</u>			<u>132,000</u>
Total	1,059,998			1,059,998	286,976	16,307		335,897

#### NOTE 11 - RETAINED EARNINGS AND PRIOR PERIOD ADJUSTMENTS

The \$30,581 represents equity reserved for Retirement of Bond Debt.

#### NOTE 12 - DEFICIT FUNDS AND EXPENDITURES IN EXCESS OF APPROPRIATIONS

Public Act 621 of 1978, requires that a municipality shall not incur expenditures in excess of the monies appropriated. No activity expended amounts greater than appropriations. However, the General Fund and the Liquor Control Fund are in deficit and the deficit increased during the current fiscal year.

#### NOTE 13 - CONTRIBUTIONS TO OTHER GOVERNMENTS

The Village of Elberta has entered into a long-term agreement with the Betsie Lake Utility Authority for the Authority to provide sewage treatment facilities. The Village's Sewer Fund is obligated to pay 30.3% of the required annual debt and reserve payments. The debt and debt structure are contained within the Betsie Lake Utility Authority which is audited annually under a separate report.

#### NOTE 14 - RISK MANAGEMENT

All risks are covered through the use of commercial insurance.

## SUPPLEMENTAL STATEMENTS

**WILSON, WARD CPA FIRM**

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To the Elberta Village Council  
Elberta, MI

We have audited the combined financial statements of the Village of Elberta, Michigan for the year ended February 29, 2006. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financials statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

*Wilson, Ward CPA Firm*

Interlochen, MI  
August 11, 2006

## General Fund

VILLAGE OF ELBERTA  
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance  
General Fund  
For the Year Ended February 28, 2005 & February 28, 2006

	Original Budget	Final Budget	2005 Actual	2006	Variance Favorable (Unfavorable)
<b>Revenue</b>					
Current Property Taxes	\$63,000	\$73,008	\$75,572	\$76,374	3,366
Specific Tax	0	432	360	0	(432)
Licenses and Permits	400	2,000	440	1,400	(600)
State Shared Revenues	60,000	60,410	54,572	53,561	(6,849)
Insurance Paybacks	2,500	2,500	2,911	3,173	673
Earned Interest	300	10	4	5	(5)
Rents and Royalties	15,600	10,000	14,212	21,300	11,300
Charges for Service	15,000	10,000	13,521	26,453	16,453
Woodlands	0	0	0	0	0
Contingency	0	0	0	0	0
Grant - MDEQ	0	0	0	0	0
DEQ	0	0	0	0	0
Grants-DNR Trust Fund	28,500	0	0	0	0
DNR State Grant	0	0	0	0	0
Vaunt-Courier	0	0	0	0	0
Foundation Grant	0	0	0	0	0
Park Escrow	0	0	0	0	0
Other Revenue	20,540	64,508	19,047	9,480	(55,028)
Insurance Claim	0	0	0	0	0
Interest CDs	5,000	2,080	1,237	2,080	0
Total Revenues	\$210,840	\$224,948	\$181,876	\$193,826	(31,122)
<b>Expenditure</b>					
Legislative					
Township Board:					
Salaries and Wages	\$4,942	\$4,942	\$4,304	\$4,780	162
Mileage	0	0	0	0	0
Dues	800	800	601	561	239
Professional Fees	15,000	15,000	10,716	8,081	6,920
Zoning, Planning	1,100	1,100	936	901	199
Payroll Tax	9,753	9,753	7,297	9,753	0
Insurance	52,403	52,403	36,633	51,136	1,267
MDOT Payment	0	0	0	0	0
Interest Expense	0	0	0	0	0
Fkft/Eberta Athletic Assoc	500	500	500	500	0
Fkft Comm Assoc	1,000	1,000	500	1,000	0
Christmas Promo	400	400	0	0	400
Other Functions	2,000	2,000	0	2,000	0
Elberta Library	2,349	2,349	1,594	2,349	0
Misc	11,444	11,444	10,555	11,577	(133)
Parks Maint	800	800	563	724	76
Brownfield Redev	0	0	0	0	0
Specific Tax	432	432	302	363	69
DEQ Grants	0	0	0	0	0
MDOT Life Saving	0	0	0	0	0
DNR Grant - Phase II	0	0	0	0	0
DNR Grant - Phase II	0	0	0	0	0
TEA 21 Grant	0	0	0	0	0
Park Escrow	0	0	0	0	0
Printing	1,400	1,400	954	1,222	178
Total Township Board	\$104,323	\$104,323	\$75,455	\$94,946	9,377

VILLAGE OF ELBERTA  
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance  
General Fund  
For the Year Ended February 28, 2005 & February 28, 2006

	Original Budget	Final Budget	2005 Actual	2006	Variance Favorable (Unfavorable)
General Government:					
Elections:					
Salaries and Wages	\$0	\$0	\$280	\$0	0
Miscellaneous	0	0	0	0	0
Printing and Supplies	0	0	0	0	0
Total Elections	0	0	280	0	0
Assessor:					
Salaries and Wages	0	0	0	0	0
Total Assessor	0	0	0	0	0
Clerk:					
Salaries and Wages	15,901	15,901	14,464	14,697	1,203
Bond	400	400	499	373	27
Miscellaneous	50	50	0	0	50
Pension	500	500	500	500	0
Training	200	200	0	0	200
Mileage and Travel	100	100	0	59	41
Total Clerk	17,151	17,151	15,463	15,629	1,521
Treasurer:					
Salaries and Wages	11,764	11,764	9,668	10,262	1,502
Bond	500	500	413	373	127
Education	500	500	511	411	89
Pension	500	500	500	500	0
Mileage and Travel	403	403	400	403	0
Printing	800	800	663	662	139
Miscellaneous	50	50	42	0	50
Total Treasurer	14,517	14,517	12,197	12,610	1,907
Community Building:					
Public Utilities	2,100	2,100	1,558	1,825	275
Telephone	0	0	0	0	0
Supplies	100	100	0	7	93
Insurance	175	175	104	114	62
Maintenance	0	0	0	0	0
Repairs and Maintenance	221	221	123	221	0
Miscellaneous	0	0	0	0	0
Total Community Building	2,596	2,596	1,785	2,167	429
Office:					
Supplies	3,125	3,125	2,130	3,125	0
Public Utilities	1,200	1,200	857	909	291
Telephone	2,500	2,500	2,321	551	1,949
G/W/S	300	300	300	300	0
Repairs and Maintenance	400	400	316	156	244
Petty Cash Reimbursements	0	0	0	0	0
Rent	0	0	101	0	0
Postage	1,650	1,650	996	1,230	420
Casual Labor	0	0	0	0	0
Equipment	3,000	3,000	2,973	2,237	763
Total Office	12,175	12,175	9,994	8,508	3,667
Total General Government	\$46,438	\$46,438	\$39,719	\$38,914	7,524

The footnotes are an integral part of these Financial Statements

VILLAGE OF ELBERTA  
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance  
General Fund  
For the Year Ended February 28, 2005 & February 28, 2006

	Original Budget	Final Budget	2005 Actual	2006	Variance Favorable (Unfavorable)
Public Safety:					
Fire Protection:					
Salaries and Wages	\$0	\$0	\$0	\$0	0
Supplies	0	0	0	0	0
Insurance	200	200	104	114	87
Contract Services	12,000	12,000	10,261	9,736	2,264
Gas/Oil	0	0	0	0	0
Hydrant Rental	1,020	1,020	1,000	1,020	0
Miscellaneous	0	0	0	0	0
Public Utilities	800	800	1,060	541	259
G/W/S	0	0	300	0	0
Training	1,300	1,300	0	1,284	16
Repairs and Maintenance	100	100	20	25	75
Capital Outlay	0	0	0	0	0
Total Fire Protection	15,420	15,420	12,745	12,720	2,700
Garage					
Labor	68,568	68,568	44,891	63,901	4,667
Retirement	1,000	1,000	1,000	1,000	0
Supplies	3,000	3,000	2,639	2,646	354
Gas/Oil	4,159	4,159	2,047	4,143	16
Casual Labor	0	0	1,999	0	0
Mileage	150	150	53	72	78
Public Utilities	1,200	1,200	1,633	912	288
G/W/S	1,791	1,791	300	1,791	0
Telephone	1,025	1,025	738	1,025	0
Miscellaneous	500	500	443	265	235
Repairs and Maintenance	6,500	6,500	1,879	4,025	2,475
Equipment	1,000	1,000	573	462	538
Total Garage	88,894	88,894	58,195	80,243	8,651
Total Public Safety	104,314	104,314	70,940	92,963	11,351
Public Works:					
Street Lighting	10,000	10,000	8,877	8,881	1,119
Xmas Lights	150	150	91	96	54
Sidewalk Construction	0	0	0	0	0
Total Public Works	\$10,150	\$10,150	\$8,968	\$8,977	1,173



VILLAGE OF ELBERTA  
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance  
General Fund  
For the Year Ended February 28, 2005 & February 28, 2006

	Original Budget	Final Budget	2005 Actual	2006	Variance Favorable (Unfavorable)
Capital Outlay					
Payment of LTD	\$0	\$0	\$0	\$0	0
Auto offset to LTD	0	0	0	0	0
	0	0	0	0	0
Total Expenditures	265,225	265,225	195,082	235,799	29,426
Excess Revenues Over (Under) Expenditure	(54,385)	(40,277)	(13,206)	(41,973)	(1,696)
Other Financing Sources (Uses)					
Transfers Out	11,450	11,450	21,567	56,872	(45,422)
Transfers In	0	0	0	0	0
Excess Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	(65,835)	(51,727)	(34,773)	(98,846)	(47,118)
Fund Balance - Beginning of Year			(469,716)	(504,489)	
Fund Balance - End of Year			(504,489)	(603,335)	

## Special Revenue Funds

VILLAGE OF ELBERTA, MICHIGAN  
Combining Comparative Balance Sheet  
All Non Major Funds  
February 29, 2005 & February 28, 2006

	Liquor Control Fund	2006	2005	Library Fund	2006	2005	Parks and Recreation Fund	2006	2005	Park Fund	2006	2005	Total
<b>ASSETS</b>													
Cash													
Due From General Fund	(\$27,184)	(\$27,184)	\$843	\$843	\$843	\$6,807	\$8,392	\$0	(\$100)	(\$19,534)	(\$18,049)		
Due From State	27,564	27,564	0	0	0	0	0	0	0	27,564	27,564		
Taxes Receivable	0	0	0	0	0	0	0	0	0	0	0		
Total Assets	380	380	843	843	843	6,807	8,392	0	(100)	8,030	9,515		
<b>LIABILITIES AND FUND EQUITY</b>													
LIABILITIES:	0	0	0	0	0	0	0	0	0	0	0		
Accounts Payable	0	0	0	0	0	0	0	0	0	0	0		
Due to Other Funds	0	0	0	0	0	0	0	0	0	0	0		
Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0		
Total Liabilities	0	0	0	0	0	0	0	0	0	0	0		
<b>FUND EQUITY:</b>													
Fund Balance:	0	0	0	0	0	0	0	0	0	0	0		
Unreserved	380	380	843	843	843	6,807	8,392	0	(100)	8,030	9,515		
Total Fund Equity	380	380	843	843	843	6,807	8,392	0	(100)	8,030	9,515		
Total Liabilities and Fund Equity	\$380	\$380	\$843	\$843	\$843	\$6,807	\$8,392	\$0	(\$100)	\$8,030	\$9,515		

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA, MICHIGAN  
Combining Comparative Statement of Revenues, Expenditures and Changes in Fund Balance  
All Non Major Funds  
For the Year Ended February 29, 2005 & February 28, 2006

	Liquor Control Fund		Library Fund		Parks and Recreation Fund		Park Fund		Total	
	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
REVENUES										
State Shared	\$1,018	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,018	\$0
Fed Grants	0	0	0	0	0	0	0	230,068	0	230,068
Fair Proceeds Other	0	0	0	0	4,683	2,310	0	0	4,683	2,310
Interest	0	0	0	0	0	0	0	5	0	5
Other	0	0	0	0	0	4,127	1,600	3,950	1,600	8,077
Taxes	0	0	0	0	0	0	0	0	0	0
Total Revenues	1,018	0	0	0	4,683	6,437	1,600	234,023	7,301	240,460
EXPENDITURES										
Public Safety/Routine Maintenance	0	0	0	0	0	0	0	0	0	0
Public Safety/Winter Maintenance	0	0	0	0	0	0	0	0	0	0
Other Administration	0	0	0	0	3,813	4,852	0	5,640	3,813	10,492
Construction Improvements	0	0	0	0	0	0	17,898	0	17,898	0
Contracted Services	0	0	0	0	0	0	0	8,624	0	8,624
Law Enforcement	676	1,105	0	0	0	0	0	0	676	1,105
Capital Outlay	0	0	0	0	0	0	0	273,112	0	273,112
Total Expenditures	676	1,105	0	0	3,813	4,852	17,898	287,376	22,387	293,333
EXCESS REVENUES OVER (UNDER) EXPENDITURES	342	(1,105)	0	0	870	1,585	(16,298)	(53,353)	(15,086)	(52,873)
FUND BALANCE, BEGINNING	(682)	380	843	843	5,937	6,807	0	0	6,098	8,030
Transfer In	720	1,105	0	0	0	0	16,298	53,253	17,018	54,358
FUND BALANCE, ENDING	\$380	\$380	\$843	\$843	\$6,807	\$8,392	\$0	(\$100)	\$8,030	\$9,515

The footnotes are an integral part of these Financial Statements.

# Proprietary Funds

VILLAGE OF ELBERTA, MICHIGAN  
Combining Comparative Balance Sheet  
All Non Major Enterprise Funds  
For the Years Ended February 28, 2005 & February 28, 2006

	Water Fund		Rubbish Fund		Marina Fund		Total (Memo Only)	
	2005	2006	2005	2006	2005	2006	2005	2006
<b>ASSETS</b>								
Cash	\$112,253	\$97,000	(\$6,927)	(\$7,240)	\$110,067	\$126,423	\$215,393	\$216,183
Account Receivable - Trade	549	549	0	0			549	549
Account Receivable - Grant	0	0	0	0	0	0	0	0
Due From Other Funds	5,000	5,000	7,439	7,439	0	0	12,439	12,439
Taxes Receivable	0	0			0	0	0	0
Property, Plant & Equipment	537,127	537,127	0	0	75,676	75,676	612,803	612,803
Less: Accumulated Depreciation	(119,628)	(130,371)	0	0	(75,676)	(75,676)	(195,304)	(206,047)
<b>Total Assets</b>	<b>535,301</b>	<b>509,305</b>	<b>512</b>	<b>199</b>	<b>110,067</b>	<b>126,423</b>	<b>645,880</b>	<b>635,927</b>
<b>LIABILITIES AND FUND EQUITY</b>								
<b>LIABILITIES:</b>								
Accounts Payable	389	514	0	0	7	7	396	521
Deferred Revenue	0	0	0	0	0	0	0	0
Security Deposits	0	0	0	0	0	0	0	0
Accrued Interest Payable	0	0	0	0	0	0	0	0
Due To Other Funds	432	432	0	0	0	0	432	432
Bonds Payable	0	0	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>821</b>	<b>946</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>7</b>	<b>828</b>	<b>953</b>
<b>FUND EQUITY:</b>								
Retained Earnings								
Unreserved	534,480	508,359	512	199	110,060	126,416	645,052	634,974
Reserved	0	0	0	0	0	0	0	0
<b>Total Fund Equity</b>	<b>534,480</b>	<b>508,359</b>	<b>512</b>	<b>199</b>	<b>110,060</b>	<b>126,416</b>	<b>645,052</b>	<b>634,974</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$535,301</b>	<b>\$509,305</b>	<b>\$512</b>	<b>\$199</b>	<b>\$110,067</b>	<b>\$126,423</b>	<b>\$645,880</b>	<b>\$635,927</b>

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA, MICHIGAN  
Combining Comparative Statement of Revenues, Expenses and Changes in Retained Earnings  
All Non Major Enterprise Funds  
For the Years Ended February 28, 2005 & February 28, 2006

	Water Fund		Rubbish Fund		Marina Fund		Total	
	2005	2006	2005	2006	2005	2006	2005	2006
OPERATING REVENUES								
Charges for Service	\$29,905	\$27,753	\$9,605	\$9,864	\$39,224	\$22,274	\$78,734	\$59,891
Tax Assessments	0	0	0	0	0	0	0	0
Refunds and Other	0	0	555	655	0	0	555	655
Total Revenues	29,905	27,753	10,160	10,519	39,224	22,274	79,289	60,546
OPERATING EXPENDITURES								
Operations and Maintenance	22,705	36,597	11,150	11,067	33,244	5,920	67,099	53,584
Interest Expense	0	0	0	0	0	0	0	0
Administration	5,202	6,535	3,146	2,280	0	0	8,348	8,815
Depreciation and Amortization	10,743	10,743	0	0	0	0	10,743	10,743
Total Expenditures	38,650	53,875	14,296	13,347	33,244	5,920	86,190	73,142
OPERATING INCOME (LOSS)	(8,745)	(26,122)	(4,136)	(2,828)	5,980	16,354	(6,901)	(12,596)
NON-OPERATING INCOME (EXPENSE)								
Interest on Investments	1	1	1	1	2	2	4	4
Proceeds from Grant	0	0	0	0	0	0	0	0
Transfers In (Out)	0	0	4,645	2,514	0	0	4,645	2,514
Bond Interest and Fees	0	0	0	0	0	0	0	0
Total Non-Operating Income (Expenses)	1	1	4,646	2,515	2	2	4,649	2,518
NET INCOME (LOSS)	(8,744)	(26,121)	510	(313)	5,982	16,356	(2,252)	(10,078)
RETAINED EARNINGS, BEGINNING	543,224	534,480	2	512	104,078	110,060	647,304	645,052
RETAINED EARNINGS, ENDING	534,480	508,359	512	199	110,060	126,416	645,052	634,974

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA, MICHIGAN  
Combining Statement of Cash Flows  
All Non Major Enterprise Funds  
For the Year Ended February 28, 2006

	Water Fund	Rubbish Fund	Marina Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net Operating Income	(\$26,122)	(\$2,828)	\$16,354	(\$12,596)
Adjustment to Reconcile Net Operating Income to Net Cash Provided by Operating Activities				
Depreciation	10,743	0	0	10,743
(Increase) Decrease in Account Receivable - Trade	0			0
(Increase) Decrease in Grant Receivable	0	0	0	0
(Increase) Decrease in Property Taxes Receivable				0
(Increase) Decrease in Due From Other Funds	0	0	0	0
Increase (Decrease) in Deferred Revenue	0			0
Increase (Decrease) in Accounts Payable	(125)	0	0	(125)
Increase (Decrease) In Due To Other Funds	0	0	0	0
Increase ( Decrease) in Accrued Interest Payable	0	0	0	0
Net Cash Provided by Operating Activities	(15,504)	(2,828)	16,354	(1,978)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
	0	0	0	0
Interest on Investments	1	1	2	4
Transfers in	0	4,645	0	4,645
Acquisition of Capital Assets	0			0
Net Cash Provided by Investing Activities	1	4,646	2	4,649
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
	0	0	0	0
Interest paid on Long-Term Debt	0	0	0	0
Principal paid on Long-Term Debt	0			0
Change in Reserved Retained Earnings	0	0	0	0
Net Cash Used by Financing Activities	0	0	0	0
TRANSFERS IN (OUT)	0	0	0	0
NET INCREASE IN CASH AND EQUIVALENTS	(15,503)	1,818	16,356	2,671
CASH AND EQUIVALENTS, BEGINNING	110,379	(7,438)	104,085	207,026
CASH AND EQUIVALENTS, ENDING	\$94,876	(\$5,620)	\$120,441	\$209,697



# FEDERAL FINANCIAL ASSISTANCE

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133a**

To the Village Council  
Elberta, MI

**Compliance**

We have audited the compliance of Village of Elberta, Michigan, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended February 28, 2006. Village of Elberta, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Village of Elberta, Michigan's management. Our responsibility is to express an opinion on Village of Elberta, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Village of Elberta, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Village of Elberta, Michigan's compliance with those requirements.

In our opinion, Village of Elberta, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended February 28, 2006.

**Internal Control Over Compliance**

The management of Village of Elberta, Michigan, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Village of Elberta, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wilson, Ward CPA Firm*  
Interlochen, MI  
August 11, 2006

FEDERAL FINANCIAL ASSISTANCE  
VILLAGE OF ELBERTA  
FEBRUARY 28, 2006

PROGRAM	CAFDA	PROJECT	GRANT AMOUNT	(DEFERRED) RECEIVABLE	CASH RECEIVED	EXPENDITURES	(DEFERRED) RECEIVABLE
US Department of Transportation Through Michigan Department of Transportation TEA - 21	20.205	54919a	200,000	0	\$170,068 *	\$200,000	\$29,932
US Department of Agriculture USDA SEWER GRANT	10.760		514,000	0	33,642 (1)	33,642	0
Loan General Obligation Bond			172,000	0	172,000	172,000	0
					205,642	205,642	
US Department of Housing and Urban Development Through Michigan Economic Development Corporation MEDC CDBG	14.228	205003	293,600	0	198,212	194,181	(4,031)
					<u>\$573,922</u>	<u>\$599,823</u>	<u>\$25,901</u>

\* 60,000 has been received and booked which is local match. 212585 has been requested.

\*\* 172,000 additional expended against loan proceeds booked into sewer fund.

TEA.21

Cash Received	80%
Matching	230,068
General	(44,000)
	<u>(16,000)</u>
	170,068
	\$212,585
Expenditures	
Asbestos	273,112
Architect Fees	(21,420)
	<u>(7,900)</u>
	243,792
	\$195,034

Village of Elberta  
Footnotes to the Financial Statements  
Federal Financial Assistance

A. Summary of Significant Accounting Policies

The accounting policies of the Village of Elberta conform to generally accepted accounting principles as applicable to small units of government in the State of Michigan. Accounting Policies are listed in the footnotes to the Financial Statements.

B. Adjustments to the Schedule of Federal Financial Assistance

There are no adjustments to the Schedule of Federal Financial Assistance.

**VILLAGE OF ELBERTA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended February 28, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Reportable conditions identified that are not considered to be material	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Reportable condition identified that are not considered to be material	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.205	TEA - 21

Auditee qualified as low-risk auditee	No
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**Section II-Financial Statement Findings**

None

**Section III-Federal Award Findings and Questioned Costs**

Findings: No matters were reported